SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Report to Shareholders
For the
Second Quarter Ending
March 31, 2010
(These statements have not been audited)

Listed on the Toronto Stock Exchange
Symbol: SAG

These financial statements for the three and six month periods ended March 31, 2010 have not been reviewed by the Company's auditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Expressed in United States dollars)

The following discussion is a review of the activities, results of operations and financial condition of South American Gold and Copper Company Limited and its consolidated subsidiaries ("SAGC" or the "Company") for quarters ended March 31, 2010 and 2009 and the six months ended March 31, 2010 and March 31, 2009, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of May 14, 2010. The discussion should be read in conjunction with the audited consolidated financial statements for the Company and the notes to those statements. The Company's consolidated financial statements and financial data have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In addition, this discussion contains certain forward-looking statements regarding the Company's businesses and operations. These statements are based on assumptions and judgments of management regarding future events and results. Actual results may differ materially from these statements as a result of a number of factors, many of which are beyond the control of SAGC. For more detail on these factors, refer to the section titled "Risk Factors" in this document.

All dollar amounts are expressed in United States dollars, except as otherwise indicated.

Additional information relating to the Company, including the Company's most recent annual information form, is available on SEDAR at www.sedar.com.

Forward Looking Information

This management's discussion and analysis contains or refers to forward-looking information. All information, other than information regarding historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "may", "could", "potential", "should" "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Such forward-looking information includes, without limitation, information regarding the Company's expected or planned targets with respect to its operations and projects, estimates and/or anticipated levels and grades of future gold and/or copper production, the estimated mine life of the Pimenton gold mine, expectations regarding future production levels at Pimenton, potential mineralization, exploration results and the Company's future exploration plans, development and operational plans and objectives (including delineating additional mineral resources), expectations regarding cash flows, revenue and expenses, expectations regarding the timing for the calculation of mineral reserves, the anticipated effect of production of gold dore at the Pimenton mine site and the Company's expectations regarding its dividend policy

The forward-looking information in this management's discussion and analysis reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward-looking information contained in this management's discussion and analysis, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient cash flow from operations and capital markets to meet its future obligations, the regulatory framework in Chile, with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, the ability of management to increase commercial mining operation at Pimenton, and the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in achieving planned production levels at the Pimenton gold mine caused by unavailability of equipment, labor or supplies, climatic conditions; inability to delineate additional mineral resources and other factors including, but not limited to, those listed under "Risk Factors".

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

The mineral resource figures referred to in this management's discussion and analysis are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates referred to in this management's discussion and analysis are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Outstanding Share Information

As of May 14, 2010, the Company has issued one class of common shares (each, a "Common Share") and has a total of 792,940,170 Common Shares outstanding. As of May 14, 2010, the Company has 143,102,210 Common Share purchase warrants outstanding, each of which is exercisable for one Common Share at exercise prices of CA$0.025 to CA$0.70 through June, 2011. Options granted under the stock option plan of the Company (each, an "Option") outstanding as of May 14, 2010, total 86,470,000 of which 76,210,000, are currently exercisable into one Common Share for each Option at prices of CA$0.035 to CA$0.09 per Common Share expiring at various dates through April 16, 2015. The principal on the Company's $1,600,000 convertible secured debenture was converted into 28,108,288 Common Shares effective June 9, 2009. On April 21, 2010 the Corporation issued three Convertible Unsecured Debenture totaling $2,302,172 convertible into 55,058,502 common shares of the Company. Two of the Convertible Secured Debentures also have warrants attached to purchase up to 22,471,614 common Shares of the Corporation. These common shares purchase warrants are included above.

The following discussion addresses matters which the Company believes are important for an understanding of its financial condition and results of operations as of and for the three months ended March 31, 2010 and the six month period ended March 31, 2010 and for its future prospects. It consists of the following subsections:

- Overall Performance
- Capacity to Deliver Results
- Results of Operations
- Summary of quarterly Results
- Related Party Transactions
- Risk Factors
- Accounting Policies
- Disclosure Controls and Procedures
- Internal Control Over Financial Reporting

Overall Performance

The Company faces competition from companies with far greater resources for high quality gold and copper prospects. However, it is necessary to first identify a high quality prospect through exploration. For this reason the Company does not feel disadvantaged by companies with greater resources. The Company's Pimenton gold/copper mine is a narrow high grade gold/copper mine located in the high mountain range of Chile. Because of its location it is subject to snow and avalanches which increase operating costs and can cause temporary shut down during the Chilean winter season compared to other gold/copper mines which are located in more temperate climates. Mining costs in a narrow high grade mine such as Pimenton can also be higher on a cost per tons basis than in underground larger vein mines. However, because to date the gold/copper veins at Pimenton are of high grade the costs per ounce of gold/copper can be lower than that of a more conventional gold/copper mine. Because of the Pimenton mine's location, all electricity at the mine is self generated which increases the costs compared to a mine which is located on an electric grid. However, the grade of gold/copper ore at Pimenton to date is of such high grade that electric costs per ounce of gold can be lower than a mine operating on an electric grid but which has a lower grade of gold/copper ore per ton.

In the final analysis, developing high grade gold/copper prospects is a function of willingness to prospect irrespective of a company's resources. The cash cost per ton of ore is not as important as the cash cost per ounce of gold. The Pimenton gold mine continues to advance relative to its plans to gradually expand production to 150 tons per day in mid 2010 and increase production to near 200 tons per day by mid 2011.

Using its core mineral assets, the Company believes it is now positioned to grow into a profitable mining company as it continues production at its Pimenton gold/copper mine and continues to develop it's indicated resources into proven and probable reserves.

Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, the Catedral/Rino and Cal Norte limestone deposits, and the Tordillo, and La Bella prospects are not currently reflected in the Company's market capitalization and will continue its effort to demonstrate the underlying values of the Company's assets.

Pimenton gold mine

Pimenton encompasses 3,121 hectares (7,708 acres).

The Pimenton gold mine started operations in July 2004 and was shut down on June 9, 2005, when a major snow storm moved through the region causing extreme avalanche danger at the mine site and the road leading to it. In December 2007, the Company was successful in raising funds sufficient to start-up operations at its Pimenton gold mine. In January 2008, the Company commenced work to prepare the mine for operations.

Most of the Company's efforts have been focused on restarting Pimenton. The Pimenton mine was put into production in July 2008 with commercial production being declared October 1, 2008, at a rate of production of 91 tons per day during the 21 days the plant was in operation during October 2008. The Company has plans to gradually increase production to 150 tons per day in mid 2010 with a further increase to 200 tons per day in mid 2011. At the present rate of production, proven and probable reserves are sufficient for two years. The Company is currently working to convert 321,000 tons of drill indicated resources as defined in the Company's December 31, 2009 resources and reserve report which was prepared in compliance with National Instrument 43-101 - *Standard of Disclosure for Mineral Projects* ("NI 43-101") into the proven and probable reserves and continue exploration for new gold veins at Pimenton.

Pimenton - porphyry copper

The Company has conducted exploration activities on a potential porphyry copper deposit located within the Pimenton area on which the Company holds mining claims. Based on a diamond drill program completed by Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") on the potential porphyry copper deposit located within the Pimenton area Rio Tinto provided the Company with an exploration report which among other things, identified a copper gold porphyry system with potential resources of several hundred million tons and added significant value to the Pimenton porphyry copper project.

In March 2007, the Company entered into a letter of undertanding with Empresa Minera de Mantos Blancos S.A., which was subsequently renamed Anglo American Norte S.A. ("Anglo") a wholly-owned subsidiary of Anglo American, p.l.c. ("Anglo America"), pursuant to which Anglo agreed to fund and complete a 2,000 meters diamond drill program on the potential porphyry copper deposit located within the Pimenton area. Anglo completed this drill program. In October 2008, during its joint venture discussions, Anglo American informed the Company that it had decided to terminate further discussions regarding such joint venture agreement due to the uncertainty in world commodity prices. The Company will continue exploration on the Pimenton porphyry copper deposits in the 2010 exploration season and may conduct further drilling on the prospect during the 2010-2011 exploration season.

Tordillo

The Company holds mining claims on Tordillo which is located 11.5 kilometers south-southwest of Pimenton and covers an area of 6,632 hectares (16,381 acres). It is in the early exploration stage and to date the Company has identified several gold vein structures similar to those at Pimenton and an area of potential porphyry copper mineralization. The preliminary data suggests Tordillo contains the upper part of a deep-seated copper/gold and possibly copper molybdenum porphyry system associated with narrow high grade gold and copper veins which may be widespread and represent a separate exploration target. Tordillo is located in an area of intense exploration activity and was acquired by the Company in 2006.

Bandurrias

An interest in Bandurrias, a copper prospect, was acquired by the Company in August 2007 by way of an option agreement. Under the terms of this option agreement, $30,000 was paid on signing; $70,000 was due nine months after signing, followed by four payments of $100,000 every nine months, with a final payment at 36 months of $600,000. The balance of the $6,500,000 price, being $5,400,000, was to be paid in the form of a 5% net smelter royalty. In April 2008, the Company did not renew its option agreement on Bandurrias which was comprised of claims covering approximately 1,982 hectares (4,897 acres) in the Fifth Region of Chile and wrote off $214,000 in 2008 relating to this option agreement, but acquired approximately 13,400 hectares (33,098 acres) surrounding the Bandurrias Prospect area in which the company held a 100% interest. In June, 2009 the Company did not renew its claims on 11,500 hectares (28,405 acres), leaving the Company with 1,900 hectares (4,693 acres) on Bandurrias. The Company elected to write off the balance of claims costs totalling $52,000 in 2009. In November, 2009 the Company placed claims on approximately 10,935 hectares (27,000 acres) bring its total position on Bandurrias to approximately 12,835 hectares (31,693 acres).

La Bella

The Company has signed an option agreement (the "La Bella Option Agreement") to earn a 100% interest on claims covering approximately 4,000 hectares (9,880 acres) (the inner circle) and has put down additional claims covering an outer circle which encompasses an additional area of approximately 29,500 hectares (72,865 acres) of claims located 75 kilometers southwest of Santiago, Chile. See "Liquidity and Capital Resources – La Bella Option Agreement" for a discussion of the option payments required under the La Bella Option Agreement.

A small field crew is prospecting for gold veins on the 33,500 hectares (82,745 acres) of total claims held by the Company. In addition, geochemical soil sampling is being carried out on the vein outcrops. Subsequent drilling will be based on geochemical results.

Limestone deposits

The Company holds interest in two limestone deposits.

Lime is used by the Chilean mining industry in processing sulfide copper ores and in heap leaching of gold ores.

The Chilean lime market was adversely affected by the devaluation of the Argentinean peso in 2003 resulting in a flow of cheap lime from Argentina into the Chilean lime market for the last four years. This situation and financial constraints on the Company have limited the ability of the Company to capitalize on its lime position. With the recovery of the Argentinean economy in the past three years the domestic demand for lime is improving thereby allowing for increased pricing by the Argentinean lime producers. Trucking costs of Argentinean lime imported into Chile have also increased the costs of Argentinean lime to the Chilean mining industry which is a large consumer of lime.

The Company's limestone deposits at Catedral and Cal Norte contain high grade limestone which, when calcined, can produce lime that the Company's management believes will qualify for use by the Chilean mining industry.

While the changing economic situation, as noted above, will enable the Company to continue its efforts to become a supplier of lime to the Chilean copper industry, it also strengthens the Company's position as it reviews alternative strategies for the sale, joint venture or spin-off of the Catedral/Rino and Cal Norte limestone properties.

As a result of management's decision to focus on Pimenton the Company wrote down its Catedral/Rino project in accordance with Section 3063 – impairment of long-lived assets. Irrespective of Section 3063 the directors and management of the Company believe these properties will have longer term value to the Company and its shareholders.

Additionally, the Company has written off its exploration costs, until it deems the project to have a definitive resource potential as defined by NI 43-101. The total amount of these write offs as of March 31, 2010 was $65,772 (2009 - $63,911). In addition the Company wrote down $10,297 for the six months period ended March 31, 2010 (2009 - $7,144) related to recoverable taxes.

Capability to Deliver Results

Pimenton gold mine

On December 29, 2003, Compania Minera Pimenton ("CMP") entered into a loan agreement with the Overseas Private Investment Corporation ("OPIC") for $2,800,000 of project financing.

The loan agreement contained financial and operational covenants, including, among other things, a minimum working capital ratio, as defined, limitations on trade debt and short term credit facilities, achievement of minimum exploration drilling, minimum reserve development and minimum production levels.

Due to events at the mine, CMP advised OPIC that it believed it would not be in compliance with financial and operating covenants of its loan agreement for the calendar quarters through and until October 1, 2006. On September 30, 2006 and September 30, 2007 the Company notified OPIC that it was not in compliance with the financial and operating covenants of the loan agreement and OPIC granted CMP an additional waiver until June 30, 2009. Effective June 14, 2009 the Company has renegotiated the terms of the OPIC wavier agreement. Under the new agreement, the Company has signed a "Standstill Agreement" with OPIC and has agreed to make quarterly principal payments at the rate of $311,111 beginning on June 15, 2009 versus semi-annual payments of the same amounts called for in the original loan agreement. In December 2009, OPIC agreed to accept monthly principal payments of $103,704 through to March 15, 2010.

Potential porphyry copper

The Company has incurred sufficient explorations expenditures to maintain the Pimenton porphyry in good standing.

Tordillo

The presence of strong extensive explosive breccias is reminiscent of the porphyry copper systems at large existing copper mines in Chile. Subsequent exploration should bring into perspective the vein potential and establish if the porphyry system is large enough to host possible economic copper mineralization. The Company is deferring exploration activities while it is bringing Pimenton on line.

La Bella

For the six months ended March 31, 2010, the Company wrote off a total of $20,143 (2009 - $18,076) relating to exploration costs on the La Bella in line with its policy of writing off explorations expenditures until a resource potential in accordance with NI 43-101 has been established.

Limestone deposits

As at March 31, 2010, the Company had contributed $3,580,629 (2009 - $3,524,000) to finance a drilling program on Catedral/Rino and completed a preliminary feasibility study for construction of a 1,320 ton per day capacity cement manufactory facility on the project as well as a preliminary feasibility study for constructions of a 600 ton per day lime kiln on the Catedral property. At September 30, 2009 the Company wrote off the balance of $3,535,000 in mining properties and exploration costs relating to Catedral/Rino as the properties had been on care and maintenance for more than three years in accordance with section 3063 – impairment of long – lived assets, as it focuses its efforts on its Pimenton gold mine. For the six months period ended March 31, 2010, the Company wrote off an additional $45,629 (2009 - $32,034) relating to leasehold costs on the Catedral/Rino.

As at March 31, 2010, the Company had contributed $1,541,252 (2009 - $1,538,000) to finance a bankable feasibility study on the project, environmental permitting, and further mine development on Cal Norte. Although the Company has incurred sufficient explorations expenditures to maintain the Cal Norte property in good standing, in 2009 the Company wrote off the balance of $1,541,252 in mining properties and exploration costs as the properties had been on care and maintenance for more than three years in accordance with section 3063 – impairment of long – lived assets, as it focuses its efforts on its Pimenton gold mine.

Results of Operations

Below are the estimated costs to continue operations of the Pimenton mine, including past costs to restart operations at the Pimenton mine. Included are the Common Stock issued in dollars versus the estimated cost to restart operations and the additional cost incurred.

	Actual Three months to March 31, 2010	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Revenues from gold and copper sales	1,815,000	10,955,000	1,824,000	-
Beginning cash	757,000	438,000	3,467,000	344,000
Loan from Officers and Directors	-	572,000	-	-
Loan	300,000	-	-	-
Common Stock issued	-	-	1,872,000	3,025,000
Warrants excised	-	-	57,000	390,000
	2,872,000	11,965,000	7,220,000	3,759,000
Operating cost and general administrative cost before royalties	(2,213,000)	(8,757,000)	(1,331,000)	-
Net liabilities and asset paid	(466,000)	(2,451,000)	-	-
Estimated cost to restart Pimenton Mine operations	-	-	(3,579,000)	(292,000)
Additional costs	-	-	(1,872,000)	-
Cash at end of the period	**193,000**	**757,000**	**438,000**	**3,467,000**

Included in the estimated costs to restart Pimenton mine operations was $1,500,000 of working capital for each period ended September 30, 2007 and 2008. The additional costs of $1,872,000 included:

1. Building of an entire new snow load roof over the Pimenton plant versus a partial roof at an estimated additional cost of $700,000.

2. Additional working capital of approximately $500,000 caused by delays in arrival of overseas equipment for the plant. This caused a two month delay in getting the plant into commercial production.

3. Additional snow handling equipment not originally budgeted for including two refurbished Piston Bully snow cats at a cost of $500,000 plus freight and taxes.

4. In addition, general improvements were made in the plant at Pimenton, the rebuilding of additional mining equipment and improvements to the camp at a total cost of approximately $172,000.

The additional cost of $1,872,000 was covered by a non-broker private placement of 38,275,822 units which closed on September 9, 2008. Three directors, two of whom are also officers of the Company purchased 22,000,000 units. Each unit was priced at $0.05. Each unit consists of one common share and one-half Common Share purchase warrant. Each whole warrant is exercisable at an exercise price of $0.07 for a period of two years from closing. Net proceeds from the placement were $1,872,421.

In December 2009, additional working capital of $572,000, was provided by the executive-vice-president of claims and land management and the executive-vice-president of exploration, both directors of the Company.

In March 2010, additional working capital and capital expenditures at Pimenton in the amount of $300,000 was provided as cash advances by private investors.

The Company believes that its Pimenton mine will generate sufficient cash flow to cover its future operating costs, future capital expenditures and to cover the current operating costs of the Company.

The Company plans to gradually increase production to 150 tons per day in mid 2010. The Company's ability to maintain its current level of cash flow per quarter is dependent on maintaining mine production and plant production of at least 100 tons per day, on maintaining the level of grade of ore into the plant and maintaining the recovery rate of Knelson gold concentrates and copper concentrates. The future price of gold will also have a positive or negative impact on the ability of Pimenton to maintain the current level of quarterly profitability.

Result of operations – for the quarter ended March 31, 2010, compared to the quarter ended March 31, 2009.

The Company incurred loss of $508,000 for the three months ended March 31, 2010 and income of $1,139,000 for the three months ended March 31, 2009.

Revenue from gold sales for the three months ended March 31, 2010 were $1,815,014 (2009 - $3,469,924), and from copper and silver sales were $221,831 (2009 - $342,860) The mine was declared to be in commercial production effective October 1, 2008.

Operating expenses were $1,974,635 for the three months ended March 31, 2010 compared to $1,852,121 for the same period in 2009. The increase during the three months consisted of: mine expenses $310,134; management $5,142; camp expenses of $88,756; health clinic and safety and other of $45,488. This was offset by a reduction in plant operations $93,975; maintenance and road operations $14,564; transportation of concentrate $23,609; royalties of $99,859 and smelting, refining and metallurgical charges $94,999.

Amortization expense was $108,152 for the three months ended March 31, 2010 compared to $256,134 for the same period in 2009 due to the commencement of commercial production at Pimenton on October 1, 2008. Amortization expenses are amortized into operations using the unit-of production method (UOP) over the estimated useful lives of the related ore reserves. Depreciation expenses for the three months ended March 31, 2010 were $229,663 compared to $176,485 for the same period in 2009. The remaining increase of $53,178 was due to mining equipment purchases.

General and Administrative costs for the three months ended March 31, 2010 were $318,000 compared to $303,000 for the same period in 2009. This $15,000 increase was due to an increase of $31,940 in professional fees and services, of which $20,195 related to legal fees; $32,319 for accounting; this was offset by a reduction in: (i) $10,000 for metallurgical service and (ii) $10,574 investor relations and other services. In additions for the three months ended March 31, 2010 the company incurred an increase of $30,733 in salaries; $3,103 increase in utilities; $8,836 increase in transport and other expenses. This was offset by a reduction in: (i) claims and notary expenses of $19,551; (ii) shareholders expenses of $9,149 and (iii) travel of $31,240

Stock based compensation was $52,606 during the three months period ended December 31, 2010 compared to $50,714 for the same period in 2009. The Company has expensed $52,606 for the vesting period of the Common Stock Options issued during the three months ended March 31, 2010 for 2,339,538 Options granted on April 30, 2008 whose vesting period is between the date of grant and four years; for the 15,000,000 Options granted on March 13, 2008, whose vesting period is between date of grant and four years; for the 3,000,000 Options which were granted to the Chief Financial Officer of the Company, exercisable for a period of five years, with 1,000,000 to vest immediately, 1,000,000 to vest one year from the date of grant, and the balance of 1,000,000 to vest on the second anniversary of the date of grant; for the 660,462 Options granted to a director of the Company exercisable until April 30, 2013 to vest over a period between date of grant and three years. In addition on October 19, 2009 the Chief Executive Officer (the “CEO”) of the Company was granted 8,000,000 options to replace 8,000,000 options which expired on September 27, 2009. Each Option is exercisable for a period of five years until October 19, 2014 for one common share of the Corporation at CA$0.045 per share, whose vesting period is between date of grant and four year. The Company has expensed $50,714 for the vesting period of the Common Stock Options during three months ended March 31, 2009, for the 2,339,538 common stock options granted on April 30, 2008, and 25,000,000 common stock options granted on March 13, 2008. The Company issued on March 13, 2008, 25,000,000 Common Stock Options which were issued to the President of the Company (10,000,000 options) and three new Directors and two Serving Directors who are not officers of the Company (15,000,000 options). In addition, 1,950,000 options were granted to seven employees who are not officers of the Company.

The foreign exchange loss was $13,934 for the three months ended March 31, 2010 compared to again of $190,606 in the same period of 2009. This decrease of $204,540 was due to the increase of the US dollar versus the Chilean peso which resulted in a decrease of $167,179 related to the recoverable taxes which are in Chilean pesos. Other balance sheet items were affected by amounts of approximately $37,361.

Interest expense was $50,357 for the three months ended March 31, 2010 compared to $186,332 in the same period of 2009. The decrease of $135,975 was due to a reduction of $81,277 of the convertible secured debenture interest, when the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice President and directors of the Company elected to convert the $1,600,000 Convertible Secured Debenture. The OPIC default interest charge was reversed in the amount of $41,183, the amortization of OPIC expenses and interest of the principal were reduced by $18,712. The outstanding principal balance on the OPIC loan as of June 11, 2009 was $1,555,555. Pimenton began to repay the principal and interest quarterly on June 15, 2009. This was offset by a increase in leasing of $5,197.

Development costs were $100,000 for the three months ended March 31, 2010 compared to $nil in the same period of 2009. In October 2009 the Company entered into services contracts with each Companía Minera Auromín Ltda. a company controlled by Mr. David Thomson, Executive Vice President of Exploration and with Minera Chañar Blanco S.A., a company controlled by Mr. Mario Hernández, Executive Vice President of Claims and Land Administration. Both are also directors of the Company. The services to be provided by Companía Minera Auromín Ltda. include: seeking new mining projects; perform geological studies and design drill programs for the Company on exploration projects; conduct preliminary design of the mining plans for designated projects and provide other services related to the explorations and development of mining projects. The services to be provided by Minera Chañar Blanco S.A. include maintain title and ownership of mining properties acquired by the Company; acquire water rights or request concessions of water rights on the properties acquired by the Company and negotiate the acquisition of new mining properties for the Company.

The estimated cash flow of reclamation and remediation of $3,825,000 is expected to be incurred over a period extending to ten years from the commencement of mine operations calculated at the present value on March 31, 2010. This estimated cash flow is discounted using a credit –adjusted risk-free rate of 7.5%. Reclamation and remediation expenses discounted at 7.5% for the three months period ended March 31, 2010 was $37,063 (2009 - $34,478).

Exploration and mining properties written-off in accordance with section 3063 – impairment of long-lived assets during the period ended March 31, 2010 totaled $44,873 (2009 - $51,864) and were as follows: Catedral $35,000 (2009 - $35,783), La Bella $7,816 (2009 – $11,045). The Company has taken the decision to expense its exploration costs until it deems the project to have definitive resource potential as defined by National Instrument 43-101. The balance of $2,057 (2009 - $5,036) represents a write-off of recoverable taxes that had been capitalized against these properties.

Other income was $385,000 for the three months ended March 31, 2010 compared to $46,000 in the same period of 2009. The Company reached settlement with the Chilean IRS in March 2010 to pay $172,331 of taxes versus the original claim by the Chilean IRS of $554,182, the difference of $381,851 included interest and penalties, which was recorded as other income. Other income also included $3,389 for scrap sales. Recovery of payments of $46,802 for mining claims was credited to other income for the first quarter ended March 31, 2009.

Results of operations for the six months ended March 31, 2010, compared to the six months ended March 31, 2009.

The Company reported net loss of $1,528,000 for the six months period ended March 31, 2010 compared to income of $738,000 for the six months ended March 31, 2009.

For the six months period ended March 31, 2010, revenue from gold sales was $3.729,807 (2009 - $5,134,432) and from copper and silver sales were $469,800 (2009 - $502,495). The mine was declared to be in commercial production at 91 tons per day effective October 1, 2008.

Operating expenses were $4,161,000 in the six months ended March 31, 2010 compared to $2,925,381 for the same period in 2009. The increase during the six months period ended March 31, 2010 consisted of: mine expenses $937,980; plant operations $38,449; maintenance and operation of road $161,229; management $10,350 camp $255,121; health clinic & safety and others $84,563. This was offset by a reduction in: (i) royalties $91,276; (ii) smelting, refining and metallurgical charges of $142,340 and (iii) transportation of concentrate $18,295.

Amortization expenses were $233,227 in the six months ended March 31, 2010 (2009 - $397,884) due to the start of commercial production at Pimenton on October 1, 2008. Amortization expenses are amortized into operations using the unit-of production method (UOP) over the estimated useful lives of the related ore reserves. Depreciation expenses for the six months ended March 31, 2010 were $441,946 compared to $354,000 for the same period in 2009. The increase of $87,946 was due to mining equipment purchases.

General and administrative costs increased by $221,000 for the six months ended March 31, 2010 as compared to the same period in 2009. Salaries increased by $70,672, professional fees increase by $207,721 of which $166,817 related to legal fees; $59,180 for accounting, this was offset by a reduction in: (i) $10,000 for metallurgical service investor relations and (ii) $8,276 investor relations and other services. In additions for the six months ended March 31, 2010 the company incurred $7,387 increase in utilities; $28,095 increase in miscellaneous other expenses. Shareholders expenses decreased by $10,946; travel decrease by $38,532 overhead decrease by $24,137; claim and notary decreased by $19,260.

Stock based compensation was $138,103 during the six month period ended March 31, 2010 compared to $101,429 for the same period in 2009. The Company expensed $172,238 for the vesting period of the Common Stock Options during the six months ended March 31, 2010 for 2,339,538 Options granted on April 30, 2008 whose vesting period is between date of grant and four years; for the 25,000,000 Options granted on March 13, 2008, whose vesting period is between date of grant and four years; for the 3,000,000 Options granted to the Chief Financial Officer of the Company, exercisable for a period of five years, 1,000,000 to vest immediately, 1,000,000 to vest one year from the date of grant, and the balance of 1,000,000 to vest on the second anniversary of the date of grant; for the 660,462 Options granted to a director of the Company exercisable until April 30, 2013 to vest over a period between date of grant and three years. The vesting period expenses were offset by $34,135 for the pre-vest cancellations of 6,000,000 options for the president of the company, who has resigned. In addition on October 19, 2009 the Chief Executive Officer (the “CEO”) of the Company was granted 8,000,000 options to replace 8,000,000 options which expired on September 27, 2009. Each Option is exercisable for a period of five years until October 19, 2014 for one common share of the Corporation at CA$0.045 per share; 1,600,000 to vest immediately, 1,600,000 to vest one year from the date of grant, the balance of 1,600,000 to vest on the second anniversary of the date of grant, the balance of 1,600,000 to vest on the third anniversary of the date of grant, and the balance of 1,600,000 to vest on the fourth anniversary of the date of grant. The Company has expensed $101,429 for the vesting period of the Common Stock Options during six months ended March 31, 2009, for the 2,339,538 common stock options granted on April 30, 2008, and 25,000,000 common stock options granted on March 13, 2008. The Company issued on March 13, 2008 25,000,000 Common Stock Options which were issued to the President of the Company (10,000,000 options) and three new Directors and two Serving Directors who are not officers of the Company (15,000,000 options). In addition, 1,950,000 options were granted to seven employees who are not officers of the Company

Warrant revaluation expenses was $8,066 in the six months period ended March 31, 2010 compared to $nil for the same period in 2009. On December 1, 2009 the TSX agreed to further extend the expiration date on the 46,187,485 outstanding common share purchase warrants (the “Warrants”) and 5,616,936 outstanding common share purchase warrants (the “Broker Warrants”) which were to expire on December 17, 2009, all of which were issued in connection with a private placement on December 17, 2007. The fair value of these modified warrants and broker warrants of $8,066, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, was charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 1.28%, no dividend and a volatility factor of 142%. These warrants were further extended to December 17, 2010, at which time they expire.

Interest expense was $144,428 in the six months ended March 31, 2010 compared to $429,848 in the same period of 2009. The decrease of $285,420 was due to a reduction of $155,361 of the convertible secured debenture interest, when the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice President and directors of the Company elected to convert the $1,600,000 Convertible Secured Debenture. The OPIC default interest charge was reversed in the amount of $82,705, the amortization of OPIC expenses and interests of the principal were reduced by $32,226. The outstanding principal balance on the OPIC loan as of June 11, 2009 was $1,555,555. Pimenton began to repay the principal and interest quarterly on June 15, 2009. Other balance sheet items were affected by amounts of approximately $15,128.

The foreign exchange gain was $148,000 for the six months ended March 31, 2010 compared to a loss of $47,970 in the same period of 2009. This increase of $195,888 was due to the decrease of the US dollar versus Chilean peso.

The estimated cash flow of reclamation and remediation of $3,825,000 is expected to be incurred over a period extending to ten years calculated at the present value on March 31, 2010. This estimated cash flow is discounted using a credit –adjusted risk-free rate of 7.5%. Reclamation and remediation discounted at 7.5% for the six months period ended March 31, 2010 was $73,462 (2009 - $68.337)

Other income increase by $333,065 in the six months ended March 31, 2010 compared to the same period of 2009. The Company reached settlement with the Chilean IRS in March 2010 to pay $172,331 of taxes versus the original claim by the Chilean IRS of $554,182, the difference of $381,851 included interest and penalties, which was recorded as other income. This was offset by recovery payments of $46,802 for mining claims and was credited to other income for the first quarter ended March 31, 2009. Other reduction also included $1,984.

Development costs was $200,000 in the six months ended March 31, 2010 compared to $nil in the same period of 2009. In October 2009 the Company entered into services contracts with each Companía Minera Auromín Ltda. a company controlled by Mr. David Thomson, Executive Vice President of Exploration and with Minera Chañar Blanco S.A., a company controlled by Mr. Mario Hernández, Executive Vice President of Claims and Land Administration. Both are also directors of the Company. The services to be provided by Companía Minera Auromín Ltda. include: seeking new mining projects; perform geological studies and design drill programs for the Company on exploration projects; conduct preliminary design of the mining plans for designated projects and provide other services related to the explorations and development of mining projects. The services to be provided by Minera Chañar Blanco S.A. include maintain title and ownership of mining properties acquired by the Company; acquire water rights or request concessions of water rights on the properties acquired by the Company and negotiate the acquisition of new mining properties for the Company.

Exploration costs written-off during the six months ended March 31, 2010 totaled $76,069. Exploration and mining properties written-off during the six months ended March 31, 2009 totaled $61,017.

Summary of Quarterly Results

	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Sales	2,037	2,163	1,789	2,890
Net income (loss) before extraordinary items	(748)	(889)	(1,201)	204
Per share	(0.0009)	(0.0009)	(0.0015)	0.0003
Per share diluted	(0.0008)	(0.0008)	(0.0012)	0.0002
Net income (loss) after extraordinary items	(508)	(1,020)	(1,285)	651
Per share	(0.0006)	(0.0006)	(0.0016)	0.0008
Per share diluted	(0.001)	(0.001)	(0.001)	0.001

	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Sales	3,813	1,824	Nil	Nil
Net income (loss) before extraordinary items	1,191	(392)	(291)	(1,671)
Per share	0.0016	(0.0005)	(0.0004)	(0.0024)
Per share diluted	0.0012	(0.0004)	(0.0003)	(0.0017)
Net income (loss) after extraordinary items	1,139	(401)	(5,192)	(1,671)
Per share	0.0015	(0.0005)	(0.0071)	(0.0024)
Per share diluted	0.0011	(0.0004)	(0.0051)	(0.0017)

Non-GAAP Financial Measures

This MD&A refers to cash cost per tonne of pre processed and cash cost per ounce of gold in concentrate produced because certain investors may use this information to assess the Company’s performance and also determine the Company’s ability to generate cash flow for investing activities. These measurements capture all of the important components of the Company’s production and related costs. In addition, management utilizes these metrics as an important management tool to monitor cost performance of the Company’s operations. Theses measurements have no standardized meaning under Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. These measurements are intended to provide additional information and should net be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

The following table provides, for the periods indicated, a reconciliation of the Company's cash cost measures to its Canadian GAAP cost sales:

Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales:

For the six months ended March 31,	2010	2009
Gold ounces sold	3,429	6,202
Cost of sales	4,859	3,902
Add (deduct):		
Amortization and depreciation	(665)	(751)
Remediation and reclamation	(73)	(68)
Total cash cost of production before by-product credits	4,121	3,082
Copper and Silver – by product credits	(451)	(448)
Total cash cost of production after by-product credits	3,670	2,635
Cash cost per ounce	**$1,070.15**	**$424.83**

The Company declared the Pimenton mine to be in commercial production effective October 1, 2008 at the rate of 91 tons per day of production. This production rate will be gradually increased to an average of 150 tons per day in mid 2010 with further increase to 200 tons per day in 2011. The following is a sensitivity analysis:

PRODUCTION VARIABLES AND SENSITIVITIES FOR 100 to 200 TPD.

VARIABLES		
Head grade gold	14.44	g/t
Head grade copper	1.26	%
Starting tones per day year 1	100	Tpd
Tones per day year 2	200	Tpd
Price per Ounce Gold	$1,000	
Price per pound Copper	$2.8 0	
Exchange rate US$	500	CH$
Plant combined recovery	90%	
Loan Interest rate	8.50%	
Price per liter Diesel	470	CH$
Price per liter Gasoline	500	CH$

ALL IRR% ARE FOR ENTIRE INVESTMENT
100 TPD to 200tpd USING PRICES OF $1,000 gold and $2.8Copper

Grade Sensitivity. Projects from a low of 8g/t to 16 g/t Au head grade through plant.

Au g/t	Au%	Op.Cost/Oz	IRR%
10	0.7	$458	76%
12	1.0	$391	95%
14	1.2	$349	110%
16	1.4	$288	123%

Cost/Oz is cash cost per ounce at the mine

100 to 200 TPD

Recovery Sensibility. Projects from 5% to 10% less plant Recovery for gold.

% diff. Recovery	Op.Cost/Oz	IRR%
-10%	$371	90%
-5%	$355	102%
2%	$335	117%

Operating cost/Oz is cash cost per ounce at the mine

Tonnage Sensitivity from a low of at 100 to a high of 200 tpd.

Tons per day	Op.Cost/Oz	IRR%
70%	$533	54%
80%	$394	74%
90%	$365	93%
100%	$341	112%
110%	$321	132%

100 to 200 TPD

Price of Gold Sensitivity

Price per Ounce	IRR%
$500	9%
$600	36%
$700	56%
$800	75%
$900	93%
$1,000	111%
$1,100	129%
$1,200	147%

Price per liter of Diesel fuel	Cost per Ounce of Au produced	IRR%
CH$ 400	$340	112%
CH$ 500	$349	110%
CH$ 550	$353	108%

Liquidity and capital resources

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years
	$	$	$	$
Purchase obligations	1,811,930	1,811,930	-	-
OPIC loan	614,852	614,852	-	-
Long-term amount due to related parties	2,362,273	-	2,362,273	-
Long-term debt	2,243,563	-	2,243,563	-
Capital leases	633,639	273,665	359,974	-
La Bella option payments (1)	9,215,776	1,177,346	8,038,430	-
Conditional loan agreement (2)	2,500,000	-	-	2,500,000
Catedral prospect	115,000	115,000	-	-
Total Contractual Obligations	**19,497,033**	**3,992,793**	**13,004,240**	**2,500,000**

Note (1). The Company is only obligated to make the option payments on either the inner circle or the outer circle as long as it desires to keep the underlying claims. The Company may drop either or both the inner or outer circle at any time and no further option payments are due to be paid. The agreement was made in UF in Chile. The UF is used in purchases and in agreements as a unit that is adjusted daily for inflation. For example, one UF is valued at $21.000 pesos tomorrow it could be valued at $21.001 pesos, with the additional one peso representing the upward adjustment due to inflation. The function of the UF is to protect the value in pesos of an investment or agreement from inflation. These payments for December, 2009 and January 2010 and in future years are base of the UF price at September 30, 2009.

Note (2). Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to $1,250,000 each or $2,500,000 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totalling $500,000, which was paid during 1997.

The acquisition, exploration, financing, and development of natural resources require the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of Common Shares, the exercise of Options and Common Share purchase warrants, the issuance of promissory notes and debentures, bank debt and extended terms from creditors.

At March 31, 2010, cash was $193,000.

To preserve its cash position the Company has been, and plans to continue, concentrating its efforts on Pimenton and substantially defer expenditures on other projects.

The positive working capital of $788,000 at March 31, 2010 is expected to be further increased by revenues and operating profits from the Company's Pimenton gold mine. The Company plans to gradually increase production to 150 tons per day in the next twelve months with a further increase to 200 tons per day by mid 2011.

Revenues for gold, silver and copper sales from the mine are expected to cover operating costs of the mine plus generate sufficient funds to cover capital expenditure required to sustain operations in the future. The Company has installed a gold table and gold furnace at a cost of approximately $160,000 which is expected to substantially increase the gold ounces per ton of Knelson concentrate. This purchase will facilitate operations in the future. The ability of the Pimenton mine operations to cover its operating costs and generate sufficient funds to cover capital expenditure budget is dependant on the prices of gold, silver and copper; dependant on the gold veins in the mine retaining their width, continuity and grade of ore; dependant on snow conditions in the Chilean winter which runs from May 2010 to August 2010; dependant on the future price of diesel fuel; dependant on the price of the Chilean peso relative to the US Dollar and dependant on the ability of the Company to retain its current work force.

The Company currently sells its gold, silver and copper concentrate directly to the Enami smelter which is owed by the State of Chile through its ownership of CODELCO. Enami pays for approximately 60% of the value of shipment the week following delivery and the balance of the payment is made one to two months following the date of receipt of the initial payment. As the Company increases the production to 200 tons per day in mid 2011 this one to two months delay in receipt of the balance of the 40% payment could cause a short term cash flow shortfall for the Company. In addition, during the winter months of operation the 80 kilometer road into the mine site can be closed for extended periods of time, thereby not allowing shipment of copper concentrate to Enami. The Company's Knelson Concentrate, however, which contains 60% of the gold value produced by the mine, can be either helicoptered, or taken out of the mine by the snow cats.

The ability of the Company to produce its own gold doré at the mine site will increase its flexibility both in delivery to Enami during winter months or by allowing the Company to ship the gold doré bars directly to a gold smelter in Europe or Canada which would eliminate the one to two months delay in receipt of payment from Enami.

The Company has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on the Common Shares will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time.

The Executive Vice President - Director, Claims and Land Management and the Executive Vice President-Director of Exploration, both directors of the Company hold the non-controlling interest in the Catedral prospect and the Company has agreed to lend such officers and directors up to an additional $2,250,000 for development costs.

La Bella Option Agreement

Under the terms of the Option Agreement (inner circle), modified on December 18, 2009, the Company has paid $229,987, $40,598 is due in April 2010, $40,598 is due in May 2010, $487,178 in December 2010, $548,075 in December 2011, $608,972 in December

2012 and $1,644,224 in December 2013. The Company will pay a 2 ½% Net Smelter Royalty to the optionee from production thereafter.

On the outer circle the Corporation paid $228,198, deferred to January 26, 2010 due to access problems to the prospect and future payments have been deferred by one month to $608,972 in January 2011, $852,561 in January 2012, $1,217,944 in January 2013 and $3,166,654 in January 2014. The Corporation has an obligation to pay a 2½% net smelter royalty to the optionee of the outer circle from production thereafter.

The agreement was made in UF in Chile. The UF is used in purchases and in agreements as a unit that is adjusted daily for inflation. For example, one UF is valued at $21.000 pesos tomorrow it could be valued at $21.001 pesos, with the additional one peso representing the upward adjustment due to inflation. The function of the UF is to protect the value in pesos of an investment or agreement from inflation. These payments for December, 2009 and January 2010 and in future years are base of the UF price at September 30, 2009.

In addition, the Company has a combined minimum exploration obligation of $50,000 in year one, $250,000 in year two and $700,000 in year three on the inner and outer circle.

Cal Norte

The Company must make an additional capital contribution of $394,000 to Cal Norte to earn its 60% equity interest.

Related Party Transactions

A company owned by the Chief Executive Officer of the Company, who is also a director of the Company (the "CEO") billed the Company $3,585 in the period ended March 31, 2010 (2009 - $42,228) for the provision of office space and services used by the Company. Receivable from an officer and director of the Company of $256,351 for the six months ended March 31, 2010 (2009 - $182,813) is the net amount of non-interest-bearing note receivable compensations and advances to the CEO. The note is due on June 30, 2010 and is collateralized by 6,532,000 Common Shares owned by this officer and director.

A company controlled by the current Chief Financial Officer of the Company billed the Company $28,900 for accounting and administration services rendered in the period ended March 31, 2010 (2009 - $20,809). Amounts due to related parties include payables to this officer of $11,553 for such services at March 31, 2010 (2009 - $5,257).

During 2007, the Executive-Vice President-Director of Claims and Administration, who is also a director of the Company, purchased an interest in the Pimenton notes and royalty from a non-related party. The fair value of this note was $974,918 at March 31, 2010 (2009 - $911,235) and interest expense was $24,306 in 2010 (2009 - $24,306). Amounts due to related parties include $268,290 (2009- $219,544) for interest and $518,888 for royalties as at March 31, 2010 (2009 - $268,036).

Amounts due to related parties include $266,508 and $219,544 as at March 31, 2010 and 2009, respectively, for interest due to Executive-Vice President-Director of Exploration who is also a director of the Company who holds one of the Pimenton notes in the fair value amounts of $968,645 and $917,085 as at March 31, 2010 and 2009, respectively, and interest expense was $24,150 for the six months ended March 31, 2010 (2009 – $24,150). In addition, amounts due to related parties include $518,888 and $268,036 as at March 31, 2010 and 2009, respectively, for royalties due to this officer and director who is the owner of a net smelter royalty on the Pimenton gold mine. In addition, amounts due to related parties include a cash advance of $5,125 at March 31, 2010 (2009 - $8,909) which was provided to the Company in July 2008.

On October 19, 2009 the Chief Executive Officer, who is also a Director of the Company, entered into an employment agreement. As Chief Executive Officer, he will report to the board of Directors of the Company. Mr Hougthon was granted a two year contract which will be renewed for an additional two years period at the end of each year. Under the term of the contract, Mr. Houghton is to be paid $110,000 per year. However, until the loan with Overseas Private Investment Corporations is repaid, $7,000 per month will be paid in cash and $2,166 per month will be deferred. Mr. Houghton at his option may request that all or a part of his salary be paid in common stock of the Company. Any stock issued would be subject to shareholders and regulatory approval. As of March 31, 2010 amount due to related parties include $13,000.

On October 19, 2009 a Company owned by David R.S. Thomson, Executive-Vice President-Director of Exploration of the Company, Minera Auromin Ltda, entered into a services contract for a period of two years, which will be renewed for an additional two year periods at the end of each year. Under the term of the contract, Minera Auromin Ltda. is to be paid, $300,000 per year. However, until the loan with Overseas Private Investment Corporation (OPIC) has been repaid, $17,000 per month will be paid in cash and the balance of $8,000 per month will be deferred. Minera Auromin Ltda., at it sole option, may request that all or part of the fees to be paid in common stock of the Company. Any stock issued would be subject to shareholders and regulatory approval. Currently, the $300,000 due under the service contract is being deferred. As of March 31, 2010 amount due to related parties include $150,000.

On October 19, 2009 a Company owned by Mario Hernández, Executive-Vice President-Director of Claims and Administration of the Company, Compañía Minera Chañar Blanco S.A., entered into a services contract for a period of two years, which will be renewed for an additional two year period at the end of each year. Under the term of the contract, Compañía Minera Chañar Blanco S.A is to be paid $110,000 per year. However, until the loan that the Overseas Private Investment Corporation (OPIC) has been fully paid, $7,000 per month will be paid in cash and the balance of $2,166 per month will be deferred. Compañía Minera Chañar Blanco S.A, at it sole option, may request that all or part of the fees are paid in common stock of the Company. Any stock issued would be subject to shareholders and regulatory approval. Currently, the $110,000 due under the service contract is being deferred. As of March 31, 2010 amount due to related parties include $50,000.

Amounts due to related parties also include cash advances of $571,668 at March 31, 2010, of which $250,000 is from Conpañía Minera Auromin Ltda. a Company owned by David R.S. Thomson, Executive-Vice President-Director of Exploration of the Company and $321,668 from Minera Chañar Blanco S.A. a Company owned by Mario Hernández, Executive-Vice President-Director of Claims and Administration.

Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to $1,250,000 each or $2,500,000 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totalling $500,000, which was paid during 1997.

In 2001, the Board of Directors and Compensation Committee approved the granting of a 3.2% net smelter royalty interest on Tordillo, a 2.5% net smelter royalty interest on both the inner circle and out circle of claims on La Bella and a 3.2% net smelter royalty on Bandurria. The CEO, the Executive-Vice President-Director of Exploration and the Executive Vice President and Director of claims and Land Administration who are also directors of the Company share in these net smelter royalties. To date no royalties have been paid on these properties.

The former Chief Financial Officer (the "CFO") of the Company retired on February 6, 2008 at which time he was owed $207,260. The Company entered into a retirement agreement with the former Chief Financial Officer under which he received 2,000,000 Bonus Shares and was paid $17,648 for the difference between the net sales price of the 2,000,000 Bonus Shares and $100,000. In addition he has been paid $5,000 per month beginning February, 2008 and continued to be paid at the rate of $5,000 per month until February 28, 2009. Beginning in March, 2009 he was paid $12,500 per month until the net balance was paid. Effective June 26, 2009 the former Chief Financial Officer was paid in full.

Mineral Reserves and Mineral Resources Estimates

The Company has compiled, with an independent qualified person under Canadian Instrument 43-101, a Mineral Reserve and Mineral Resource estimate of the Pimenton mine in December 2009. This report was filed on SEDAR at www.sedar.com.

Outlook

Risk Factors

The Company is a minerals producing, exploration and development company with properties currently focused in Chile. Its mining activities involve numerous inherent risks. The Company is subject to various financial, operational and political risks that could significantly affect its profitability and operating cash flow. The Company minimizes these risks by careful management and planning. These risks include changes in local laws affecting the mining industry, a decline in the price of gold or copper, uncertainties inherent in estimating mineral reserves and mineral resources and fluctuations in the Chilean peso against the US dollar. The Company does not use financial instruments to mitigate the risks of changes in the price of gold or currency fluctuations.

The mining industry is intensely competitive in all of its phases. The Company competes with many companies possessing greater technical facilities and financial resources than are available to it.

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

The Company is subject to foreign exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency.

The Company's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns. A drop in the price of gold, copper, limestone and lime could adversely affect the Company's financial condition, results of operations and cash flows. Lower gold, copper, limestone and lime prices may result in: a) asset impairment and a write-down of the asset carrying value, b) production cutbacks and c) cessation of operations.

The Company's Pimenton mine is highly dependent on generating its own electrical needs at the mine, plant and camp sites. Fuel costs have risen substantially and are expected to further increase. Higher fuel costs will have an adverse impact on profitability of the mine.

Mine labour costs in Chile are increasing which could adversely impact operating profits at the Pimenton mine.

The Company operates primarily in Chile and is exposed to the laws governing the mining industry in Chile. The Chilean government is currently supportive of the mining industry but changes in government regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property and shifts in political stability of the country and labor unrest could adversely affect the Company's exploration efforts and production plans.

Gold reserves are reduced by production and therefore must be replaced by expanding existing gold deposits or finding new ones. There can be no assurance that the Company's development and exploration programs will result in new gold reserves. Mineral reserves and resources are estimates which may differ significantly from actual mining results.

Due to financial constraints the Company manages its operations with a limited number of key personnel. The need to replace any of these individuals could adversely affect the Company's operations until a qualified replacement is found.

The Company is currently pursuing insurance for business interruptions and insurance on its camp, plant, assay laboratory, fuel storage and garage facilities at Pimenton. The Company currently does not have these insurance policies.

The Company's mine is located in an area that can experience severe winter weather conditions which could adversely affect mining operations. Such conditions occurred during 2005, resulting in the shutdown of the Pimenton mine. In addition, the Company is subject to environmental laws and regulations that are constantly changing and may require expenditures that are significantly different from our current estimates.

Readers should read the risk factors which are described in more detail in the Company's annual information form which will be dated prior to December 29, 2009. Such factors could materially affect future operating results of the Company and cause actual results to differ materially from those described in forward –looking information relating to the Company.

The Company's continuance as a going concern is dependent upon obtaining adequate funding, reaching profitable operations at the mine, pursuing joint venture partners, sale or other disposition of all or part of its assets, or additional external funding. There is no assurance that the steps management is taking will be successful and, in the event that such resources are not available, the Company's assets may not be realized or its liabilities discharged at their carrying amounts, and these differences could be material.

Accounting Policies

To discharge its responsibilities for financial reporting and for safeguarding of assets, managements believes that it has established appropriate systems of internal control which provide reasonable assurance, at appropriate cost, that the assets are maintained and accounted for in accordance with its policies and that the transactions are recorded accurately on the Company's books and records.

A summary of the significant accounting policies are set out below:

Principles of consolidation

These consolidated financial statements include the accounts of South American Gold and Copper Company Limited (the Company or SAGC) and its subsidiaries:

South American Gold and Copper Bermuda Ltd. (Bermuda)
SAGC Cathedral Limited (Cathedral)
SAGC Management, Inc. (Management)
SAGC Pimenton Limited
Compañía Minera Til Til Limitada (Til Til)
Compañía Minera Pimenton (Pimenton)
Compañía Minera Vizcachas (Vizcachas)
Compañía Minera Catedral (Catedral)
Compañía Cal Norte (Cal Norte)
Compañía Minera Tordillo Limitada
Minera Bandurria SAGC Limitada
Compañía Minera La Bella SAGC Limitada

All inter-company transactions and balances have been eliminated upon consolidation.

Foreign currency translation and transactions

The Company's functional currency is the U.S. dollar. The Company's foreign currency transactions, balances and integrated operations denominated in foreign currencies are translated into the Company's reporting currency, U.S. dollars, as follows:

Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, with the exception of amortization, which is translated at the historic rate of the related asset. Translation gains and losses are reflected on the consolidated statements of operations, deficit and comprehensive loss. The Company's operations expose it to significant fluctuations in foreign exchange rates.

Use of estimates

Generally accepted accounting principles require management to make assumptions and estimated that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimated.
Significant estimated used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the estimated net realizable value of inventories, any asset retirement obligation, stock–based compensation and the provision for income taxes and composition of future income tax assets and liabilities.

Cash and restricted cash

Cash and restricted cash consist of cash. The restricted cash components are presented separately on the consolidated balance sheets. The current portion of restricted cash is pledged as security for principal and interest payments due within the year.

Accounts receivables

Accounts receivables include the provisional invoicing of the sale of concentrates. These invoices are based on the Company's weights and assays, and are subject to review and final agreement by the customer. Changes between the prices recorded upon recognition of revenue and final price due to fluctuation in price of gold results in the existence of an embedded derivative in the receivable balances. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue.

Mining properties, plant and equipment

Expenditures for facilities and equipment and expenditures that extend the useful lives of facilities and equipment are capitalized at cost and are amortized over their estimated useful lives, which do not exceed the estimated useful mine life, based on "proven and probable" mineral reserves and "mineral measured resources".

Expenditures for the continued development of the property are capitalized as incurred and are amortized using the unit of production method over the estimated useful life of the mine based upon proven and probable reserves and mineral measured resources. These costs include building access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development.

An impairment is recognized when the carrying amount of the mining properties, plant and equipment exceeds the estimated future undiscounted cash flows relating to the mining properties, plant and equipment. Such impairment loss recognized is calculated as the excess of the carrying amount over the fair value of the mining properties, plant and equipment.

Exploration and development costs

Acquisition costs of resource properties, together with direct exploration and development expenses incurred thereon, are deferred and capitalized in the accounts. Upon reaching commercial production, these capitalized costs are transferred from exploration properties to mining properties, plant and equipment on the consolidated balance sheets and are amortized into operations using the units of production method, based on proven and probable mineral reserves and mineral resources.

The Company regularly assesses the exploration and development costs for impairment. An impairment occurs when at least one of the following conditions are met:

Producing properties

- The carrying amount of the capitalized costs exceed the related undiscounted net cash flows of proven and probable reserves and measured resources;

Exploration properties

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire; or
- sufficient funding is not expected to be available to complete the exploration program; then the carrying amount will be written down to its fair value and charged to operations.

Revenue recognition

Revenue from the sale of concentrates is recognized following the transfer of title and risk of ownership and the determination in accordance with contractual arrangements with customers. Risk and title is transferred when the concentrate is delivered to the premises of ENAMI, the Chilean national mining company. Generally, the final settlement price is computed with reference to the average quoted metal prices for a specified period of time, normally one month subsequent to shipment to the customer. Revenues are recognized when the concentrate material is delivered to ENAMI based on the currently prevailing metals prices, quantities of concentrate delivered and provisional assays as agreed between the company and ENAMI for each shipment. Concentrate sales are subject to adjustment on final determination of weights and assays, revenues are adjusted when these final determinations are known. By-products such as copper and silver are contained within concentrates shipped to ENAMI and revenue from these by-products are recognized on the same criterion as those used for gold revenues.

Stock-based compensation

The Company has a share option plan, as discussed in note 9(c). Compensation expense is recorded when share options are issued to directors, officers or employees under the Company's share option plan, based on the fair value of options granted. Consideration paid by optionees on exercise of an option is recorded in share capital. Stock-based compensation given to outside service providers is recorded at the fair value of consideration received or consideration given, whichever is more readily determinable. The fair value of options granted or consideration given is determined using the Black-Scholes valuation model, with volatility factors and risk-free rates existing at the grant date. The share price at the grant date is considered to be equal to the closing price of the Company's stock on the TSX on the business day preceding the grant date.

Income taxes

The asset and liability method is used for determining income taxes. Under this method, future income tax assets and liabilities are determined, based on differences between the financial reporting and income tax bases of assets and liabilities, and are measured using the income tax rates substantively enacted at the consolidated balance sheet dates that are expected to apply when the assets are realized or the liabilities are settled. Net future income tax assets are offset by valuation allowances to the extent that they are considered not more likely than not to be realized.

Earnings and loss per share (EPS)

Basic EPS is computed by dividing the income or loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares when the conditions necessary for issuance have been met. Diluted EPS is calculated in a manner similar to basic EPS, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants on the as-if converted method for convertible securities.

Reclamation and remediation

Asset retirement obligations are recorded in mining properties, plant and equipment and in liabilities at fair value, when incurred. The liability is accreted over time through periodic charges to income. The amount of the liability is subject to remeasurement at each reporting period. These obligations are associated with long-lived assets for which there is a legal obligation to settle under existing or enacting laws, statutes or contracts. The related assets are amortized using the unit of production method.

Key assumptions on which the fair value of the asset retirement obligations is based include the estimated future cash flows, the timing of those cash flows and the credit-adjusted risk-free rate on which the estimated cash flows have been discounted. The actual asset retirement obligation and closure costs may differ significantly, based on future changes in operations, cost of reclamation and closure activities, regulatory requirements and the outcome of legal proceedings.

Financial instruments recognition, measurement, disclosure and presentation

Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognised or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Hedging

The Company currently does not hold any financial instruments designated for hedge accounting.

Inventory

In June 2007, a replacement section for inventories, Section 3031 "Inventories" was issued and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and eliminates the use of the "last-in, first-out" method of accounting and is effective for the fiscal years of the Company after October 1, 2008.

The Company values its concentrate inventories at the lower of cost or net realizable value at the end of the reporting period. Net realizable value includes metal prices, net of treatment charges and freight. Metal prices can be subject to significant change from period to period.

Goodwill and intangible assets

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management assessed the impact of these new accounting standards on its consolidated financial statements. The Company has determined that its deferred charges meet the criteria for deferral with the adoption of CICA Handbook Section 3064 for the fiscal year beginning October 1, 2008.

Mining exploration costs

In March 2009, the CICA approved EIC 174,"Mining Exploration Costs". This guidance clarified when exploration costs related to mineral properties may be capitalized and, if exploration costs are initially capitalized, when should impairment be assessed to determine whether a write-down is required. The guidance further clarified what conditions indicate impairment. This guidance is applicable to financial statements filed after March 27, 2009. The Company has considered this guidance in assessing the value of its mineral properties at March 31, 2010.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivatives for the six months ended March 31, 2010. The Company has performed an assessment as of March 31, 2010 and believes there to be no impact on its financial statements.

Future changes in accounting policies

Business Combinations/Consolidated Financial Statements/Non-Controlling Interest

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non Controlling Interest" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new section concurrently. These new sections were created to converge Canadian GAAP to IFRS. The Company will assess the impact of this section prior to implementation.

International Financial Reporting Standards

The Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for the financial periods beginning on or after January 1, 2011, including comparative figures for the prior year.

SAGC will transition to IFRS effective October 1, 2011 and intends to issue its first interim financial statements under IFRS for the three month period ending December 31, 2011 and a complete set of financial statements under IFRS for the year ending September 30, 2012.

SAGC is currently undertaking a process to identify differences between Canadian GAAP and IFRS relevant to SAGC and evaluate the impact of the required changes on existing accounting systems, business processes, and requirements for personnel training and development.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, the effective functioning of its audit committee and procedures in place to systematically identify matters warranting consideration of disclosure by the audit committee.

As at the end of the period covered by this management's discussion and analysis, management of the Company, with the participation of the CEO and the CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by applicable Canadian securities laws. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under applicable Canadian securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the Company's GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the issuer; and are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

As at the end of the period covered by this management's discussion and analysis, management of the Company, under the supervision of the CEO and the CFO, evaluated the effectiveness of the Company's internal control over financial reporting as required by applicable Canadian securities laws. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the internal control over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

During the most recent year end there were no changes in the Company’s internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

South American Gold and Copper Company Limited

Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	March 31, 2010 (Unaudited)	September 30, 2009
	$	$
Assets		
Current assets		
Cash and cash equivalents	193	855
Restricted cash	-	22
Receivable fron an officer and director	-	14
Receivables from Enami	385	335
Receivables	148	98
Recoverable taxes	2,065	2,125
Product and supplies, inventory	698	476
	3,489	3,925
Receivable from an officer and director	256	241
Mining properties, plant and equipment	17,521	17,242
Exploration properties	996	627
Total assets	22,262	22,035
Liabilities		
Current liabilities		
Short term lease	274	29
Current portion of long-term debt	615	933
Accounts payable and accrued liabilities	1,812	1,422
Taxes payable (VAT)	-	523
Amounts due to related parties	-	528
	2,701	3,435
Long-term debt	2,244	1,895
Long-term lease	360	22
Long-term amount due to related parties	2,362	780
Reclamation and remediation	2,069	1,995
Total liabilities	9,736	8,127
Shareholders' equity		
Share capital	70,919	70,919
Contributed surplus	3,501	3,145
Options	1,261	1,479
Warrants	1,462	1,454
Deficit and comprehensive loss	(64,617)	(63,089)
Total shareholders' equity	12,526	13,908
Total liabilities and shareholders' equity	22,262	22,035

Going concern and nature of operations (note 1)

Commitments (note 11)

Approved by the Board of Directors

(signed) Paul J. DesLauriers ____________________
Chairman

(signed) Stephen W. Houghton ____________________
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

South American Gold and Copper Company Limited
Consolidated Statements of Operations, Comprehensive Income (loss) and Deficit (Unaudited)

(expressed in thousands of U.S. dollars, except per share amounts)

	Three Months Ended March 31, (Unaudited)		Six Months Ended March 31, (Unaudited)	
	2010	**2009**	**2010**	**2009**
	$	**$**	$	$
Revenue				
Gold	1,815	3,470	3,730	5,134
Copper and silver	222	343	470	503
	2,037	3,813	4,200	5,637
Expenses				
Operating cost	1,975	1,852	4,161	2,926
Reclamation and remediation	37	34	73	68
Amortization and depreciation	338	433	675	752
General, sales and administrative	318	303	785	564
Stock-based compensation	52	51	138	102
Warrant revaluation	-	-	8	-
Foreign exchange	14	(191)	(148)	48
Interest	51	186	145	430
	2,785	2,668	5,837	4,890
Other income	(385)	(46)	(385)	(52)
Development costs	100	-	200	-
Writte off of explorations properties	45	52	76	61
Income (loss) and comprehensive income (loss) for period	(508)	1,139	(1,528)	738
Deficit- beginning of period	(64,109)	(64,226)	(63,089)	(63,825)
Deficit- end of period	(64,617)	(63,087)	(64,617)	(63,087)
Basic and diluted loss per share	-	-	-	-

The accompanying notes form an integral part of these consolidated financial statements.

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
Consolidated Statements of Cash Flows (Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended March 31,		Six months ended March 31,	
	2010	2009	2010	2009
Operating Activities	$	$	$	$
Net income (loss) for the period	(508)	1,139	(1,528)	738
Non-cash items				
Amortization	338	433	675	752
Accretion of interest on long-term debt	51	41	145	241
Non-controlling interest in consolidated subsidiary's loss	-	8	-	(15)
Taxes and penalty	(382)	-	(382)	17
Write off of exploration properties	45	52	76	61
Foreign exchange	(10)	(191)	(172)	48
Mine clousere	37	34	73	68
Provision and withholding	100	(104)	200	63
Royalties	118	217	241	333
Non-cash non-employee share compensation	-	(28)	-	13
Stock based compensation	52	51	138	102
Warrant revaluation	-	-	8	-
	(159)	1,652	(526)	2,421
Change in non-cash working capital relating to operations	201	221	291	(345)
	42	1,873	(235)	2,076
Investing Activities				
Explorations property	94	(11)	(16)	(18)
Mining properties, plant and equipment	(626)	(326)	(805)	(568)
Receivable from an officer and director	-	(58)	(7)	(89)
	(532)	(395)	(828)	(675)
Financing activities				
Shares issued	-	-	-	361
Repayment of debt	(228)	-	(330)	-
Long-term debt	300	-	300	-
Loan from related parties	-	-	572	-
Payment of capital lease	(160)	(9)	(165)	(16)
	(88)	(9)	377	345
Effect of foreign exchange on cash held in foreign currency	14	(21)	24	(13)
Increase (Decrease) in cash and cash equivalents during the period	(564)	1,448	(662)	1,733
Net cash and cash equivalents-beginning of period	757	438	855	153
Net cash and cash equivalents-end of period	193	1,886	193	1,886

The accompanying notes form an integral part of these consolidated financial statements

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

1. Basis of Consolidation and Presentation of Interim Financial Statements

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP following the same accounting policies and methods as the consolidated financial statements for the fiscal year ended September 30, 2009. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. The disclosure in these interim consolidated financial statements may not conform in all respects to Canadian GAAP for annual consolidated financial statements and as such should be read in conjunction with the Company's most recent annual consolidated financial statements, being those for the year ended September 30, 2009.

2. Significant Accounting Policies

These interim consolidated financial statements follow the same accounting policies and methods of their application as the Company's most recent annual consolidated financial statements, except with respect to the following new and revised accounting standards which the Company is required to adopt under Canadian GAAP for interim and annual financial statements relating to its fiscal year commencing October 1, 2009.

A summary of the significant accounting policies are set out below:

a) **Principles of consolidation**

These consolidated financial statements include the accounts of South American Gold and Copper Company Limited (the Company or SAGC) and its subsidiaries:

South American Gold and Copper Bermuda Ltd. (Bermuda)
SAGC Cathedral Limited (Cathedral)
SAGC Management, Inc. (Management)
SAGC Pimenton Limited
Compañía Minera Til Til Limitada (Til Til)
Compañía Minera Pimenton (Pimenton)
Compañía Minera Vizcachas (Vizcachas)
Compañía Minera Catedral (Catedral)
Compañía Cal Norte (Cal Norte)
Compañía Minera Tordillo Limitada
Minera Bandurria SAGC Limitada
Compañía Minera La Bella SAGC Limitada

All inter-company transactions and balances have been eliminated upon consolidation.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

b) **Foreign currency translation and transactions**

The Company's functional currency is the U.S. dollar. The Company's foreign currency transactions, balances and integrated operations denominated in foreign currencies are translated into the Company's reporting currency, U.S. dollars, as follows:

Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, with the exception of amortization, which is translated at the historic rate of the related asset. Translation gains and losses are reflected on the consolidated statements of operations, deficit and comprehensive loss.

c) **Use of estimates**

Generally accepted accounting principles require management to make assumptions and estimated that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimated.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the estimated net realizable value of inventories, any asset retirement obligation, recoverability of mineral properties including exploration properties, stock–based compensation and the provision for income taxes and composition of future income tax assets and liabilities.

d) **Cash and restricted cash**

Cash and restricted cash consist of cash. The restricted cash components are presented separately on the consolidated balance sheets. The current portion of restricted cash is pledged as security for principal and interest payments due within the year.

e) **Inventory**

The Company values its concentrate inventories at the lower of cost or net realizable value at the end of the reporting period. Net realizable value includes metal prices, net of treatment charges and freight. Metal prices can be subject to significant change from period to period.

f) **Accounts receivables**

Accounts receivables include the provisional invoicing of the sale of concentrates. These invoices are based on the Company's weights and assays, and are subject to review and final agreement by the customer. Changes between the prices recorded upon recognition of revenue and final price due to fluctuation in price of gold are taken to income.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

g) **Mining properties, plant and equipment**

Expenditures for facilities and equipment and expenditures that extend the useful lives of facilities and equipment are capitalized at cost and are amortized over their estimated useful lives, which do not exceed the estimated useful mine life, based on "proven and probable" mineral reserves and "mineral measured resources."

In March 2009, the CICA approved EIC 174,"Mining Exploration Costs". This guidance clarified when exploration costs related to mineral properties may be capitalized and, if exploration costs are initially capitalized, when should impairment be assessed to determine whether a write-down is required. The guidance further clarified what conditions indicate impairment. This guidance is applicable to financial statements filed after March 27, 2009. The Company has considered this guidance in assessing the value of its mineral properties at March 31, 2010.

Expenditures for the continued development of the property are capitalized as incurred and are amortized using the unit of production method over the estimated useful life of the mine based upon proven and probable reserves and mineral measured resources. These costs include building access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development.

Impairment is recognized when the carrying amount of the mining properties, plant and equipment exceeds the estimated future undiscounted cash flows relating to the mining properties, plant and equipment. Such impairment loss recognized is calculated as the excess of the carrying amount over the fair value of the mining properties, plant and equipment.

h) **Exploration and development costs**

Acquisition costs of resource properties are capitalized. Direct exploration and development expenses are expensed as incurred until resources have been identified and then these expenses are deferred. Upon reaching commercial production, these capitalized costs are transferred from exploration properties to mining properties, plant and equipment as mine development costs and are amortized into operations using the units of production method, based on proven and probable mineral reserves and mineral resources.

The Company regularly assesses the exploration and development costs for impairment. An impairment occurs when at least one of the following conditions are met:

Producing properties

- The carrying amount of the capitalized costs exceed the related undiscounted net cash flows of proven and probable reserves and measured resources;

Exploration properties

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

- lease ownership rights expire; or
- sufficient funding is not expected to be available to complete the exploration program; then

the carrying amount will be written down to its fair value and charged to operations.

i) **Goodwill and intangible assets**

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management assessed the impact of these new accounting standards on its consolidated financial statements. The Company has determined that its deferred charges meet the criteria for deferral with the adoption of CICA Handbook Section 3064 for the fiscal year beginning October 1, 2008.

j) **Revenue recognition**

Revenue from the sale of concentrates is recognized following the transfer of title and risk of ownership and the determination in accordance with contractual arrangements with customers. Risk and title is transferred when the concentrate is delivered to the premises of ENAMI, the Chilean national mining company. Generally, the final settlement price is computed with reference to the average quoted metal prices for a specified period of time, normally one month subsequent to shipment to the customer. Revenues are recognized when the concentrate material is delivered to ENAMI based on the currently prevailing metals prices, quantities of concentrate delivered and provisional assays as agreed between the company and ENAMI for each shipment. Concentrate sales are subject to adjustment on final determination of weights and assays, revenues are adjusted when these final determinations are known. By-products such as copper and silver are contained within concentrates shipped to ENAMI and revenue from these by-products are recognized on the same criterion as those used for gold revenues.

k) **Stock-based compensation**

The Company has a share option plan, as discussed in note 10. Compensation expense is recorded when share options are issued to directors, officers or employees under the Company's share option plan, based on the fair value of options granted. Consideration paid by optionees on exercise of an option is recorded in share capital. Stock-based compensation given to outside service providers is recorded at the fair value of consideration received or consideration given, whichever is more readily determinable. The fair value of options granted or consideration given is determined using the Black-Scholes valuation model, with volatility factors and risk-free rates existing at the grant date. The share price at the grant date is considered to be equal to the closing price of the Company's stock on the TSX on the business day preceding the grant date.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

l) **Income taxes**

The asset and liability method is used for determining income taxes. Under this method, future income tax assets and liabilities are determined, based on differences between the financial reporting and income tax bases of assets and liabilities, and are measured using the income tax rates substantively enacted at the consolidated balance sheet dates that are expected to apply when the assets are realized or the liabilities are settled. Net future income tax assets are offset by valuation allowances to the extent that they are considered not more likely than not to be realized.

m) **Earnings and loss per share** (EPS)

Basic EPS is computed by dividing the income or loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares when the conditions necessary for issuance have been met. Diluted EPS is calculated in a manner similar to basic EPS, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants on the as-if converted method for convertible securities.

n) **Reclamation and remediation**

Asset retirement obligations are recorded in mining properties, plant and equipment and in liabilities at fair value, when incurred. The liability is accreted over time through periodic charges to income. The amount of the liability is subject to remeasurement at each reporting period. These obligations are associated with long-lived assets for which there is a legal obligation to settle under existing or enacting laws, statutes or contracts. The related assets are amortized using the unit of production method.

Key assumptions on which the fair value of the asset retirement obligations is based include the estimated future cash flows, the timing of those cash flows and the credit-adjusted risk-free rate on which the estimated cash flows have been discounted. The actual asset retirement obligation and closure costs may differ significantly, based on future changes in operations, cost of reclamation and closure activities, regulatory requirements and the outcome of legal proceedings.

o) **Financial instruments recognition, measurement, disclosure and presentation**

Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognised or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the

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normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Hedging

The Company currently does not hold any financial instruments designated for hedge accounting.

p) **Credit risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivatives for the period ended March 31, 2010. The Company has performed an assessment as of March 31, 2010 and believes there to be no impact on its financial statements.

3. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2012. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

For interim and annual financial statements relating to its fiscal year commencing October 1, 2011, the Company will be required to adopt new CICA Accounting Handbook Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interest". Handbook Section 1582 replaces existing Handbook Section 1581 "Business Combinations", and Handbook Sections 1601 and 1602 together replace Handbook Section 1600 "Consolidated Financial Statements". The adoption of Handbook Sections 1582, and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The Company has not yet determined the effect, if any, that the adoption of these standards will have on its financial statements.

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4. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

The acquisition, exploration, financing, and development of natural resources require the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of common shares, the exercise of options and common share purchase warrants, promissory notes and debentures, bank debt and extended terms from creditors.

The Corporation has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on its shares will be made by the board of directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

5. Share Capital

	Number of shares	**Amount $**
Outstanding –September 30, 2009	792,440,170	70,919
Outstanding –March 31, 2010	792,440,170	70,919

6. Financial Risk Factors

The Company's financial instruments are exposed to financial risks as summarized below:

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to receivables is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had a positive working capital of approximately $788,000 which included cash of $193,000. At March 31, 2010 the Company's accumulated deficit was approximately $64,617,000 and shareholders' equity was approximately $12,526,000.

To preserve its cash position the Company plans to concentrate its efforts on Pimenton.

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Sensitivity Analysis

As of March 31, 2010, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) There would be no impact on the cash held as the Company does not earn any interest on this cash.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Economic dependence

The Company's sole customer ENAMI the Chilean national mining company, had purchases representing 100% of sales during the year and has 71% of the accounts receivable balance as at March 31, 2010.

7. Recoverable Taxes

Recoverable taxes in the amount of $2,065,267 at March 31, 2010 (September 30, 2009- $2,125,483) have been classified as a short-term asset, on which include VAT taxes paid on the fixed assets in the amount of $358,235 as at March 31, 2010 (September 30, 2009- $349,000). The Chilean tax authorities agreed to recover it against tax due upon domestic sales of the Company or by requesting reimbursement of VAT borne when exporting or export commitments are proven. Therefore, the recoverability of these amounts is dependent upon the ability of the Company to develop and derive future production from its Pimenton gold mine.

8. Long-term Debt

Description	March 31, 2010 Principal $	September 30, 2009 Principal $
OPIC note, due on June 15, 2010	282	401
OPIC note, due on June 15, 2010	333	532
Pimenton note, due on June 15, 2011	1,944	1,895
Advance private investor	300	-
	2,859	2,828
Less: Current portion	615	933
Long-term debt	2,244	1,895

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On June 14, 2009 OPIC agreed to sign a "Standstill Agreement" waiving the financial and operational covenants of the loan agreement and in return the Company agreed to pay the balance of the loan, commencing on June 15, 2009, on a quarterly basis at the rate of $311,111 beginning on June 15, 2009 versus semi-annual payments of the same amounts called for in the original loan agreement. In December 2009, OPIC agreed to accept monthly principal payments of $103,704 through to March 15, 2010.

9. Warrants

	Number of warrants	$
Balance - September 30, 2009	120,630,596	1,454
Modified (a)	-	8
Balance – March 30, 2010	120,630,596	1,462

(a) On December 1, 2009 the TSX agreed to further extend the expiration date on the 46,187,485 outstanding common share purchase warrants (the "Warrants") and 5,616,936 outstanding common share purchase warrants (the "Broker Warrants") which were due to expire on December 17, 2009, all of which were issued in connection with a private placement on December 17, 2007. The fair value of these modified warrants and broker warrants of $8,066, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, was charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 1.28%, no dividend and a volatility factor of 142%. These warrants were further extended to December 17, 2010, at which time they expire.

10. Share option plan

The Company has a share option plan (the Plan) whereby, from time to time at the discretion of the Board of Directors, share options are granted to directors, officers, employees and certain consultants. Options granted under the stock option plan of the Company (each, an "Option") outstanding as of March 31, 2010, total 71,610,000 of which 60,210,000, are currently exercisable into one Common Share for each Option at prices of CA$0.04 to CA$0.09 per Common Share expiring at various dates through October 19, 2014.

A summary of the Company's Plan for the six months ended March 31 is as follows:

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	$	Number of options	Weighted average exercise price CA$
Balance – September 30, 2009	1,479	85,610,000	0.060
Changes during the year			
Granted (i)	-	8,000,000	0.045
Vested	139	-	
Cancellation(ii)	(297)	(20,000,000)	
Expired	(60)	(2,000,000)	0.075
Balance – March 31, 2010	1,261	71,610,000	0.068

i) On October 19, 2009 the Chief Executive Officer (the "CEO") of the Company was granted 8,000,000 options to replace 8,000,000 options which expired on September 27, 2009. Each Option is exercisable for a period of five years until October 19, 2014 for one common share of the Corporation at CA$0.045 per share, 1,600,000 to vest immediately, 1,600,000 to vest one year from the date of grant, the balance of 1,600,000 to vest on the second anniversary of the date of grant, the balance of 1,600,000 to vest on the third anniversary of the date of grant, and the balance of 1,600,000 to vest on the fourth anniversary of the date of grant. The options were valued at a fair value of $302,256, using the Black-Scholes valuation model, assuming a risk –free rate of 2.36%, no dividend, and volatility factor of 130%, of which $72,707 was expensed as stock-based compensation for the six month period ended March 31, 2010.

ii) The President of the company resigned on November 4, 2009. 20,000,000 options were cancelled.

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11. Commitments

a) Project commitments

Project	Description	Total potential commitment $	Paid to date $
Catedral and Rino	A loan for development costs	up to 2,500	250
	To the owner of another section of the property - $275,000 - issuance of 1,824,815 common shares of the Company valued at $125,000, and the balance of $115,000 due from April to July 25, 2010, payable at owner's option in the Company's shares issued at a 15% discount from the market value at that date, but not less than CA$0.20 per common share; the Company can prepay this amount at any time.		160
La Bella	La Bella inner was acquired in December 2007 by the Company by way of an option agreement of the property. Under the terms of the Option Agreement (inner circle), modified on December 18, 2009, the Company has paid $229.987, $40,598 is due in April 2010, $40,598 is due in May 2010, $487,178 in December 2010, $548,075 in December 2011, $608,972 in December 2012 and $1,644.224 in December 2013. The Company will pay a 2 ½% Net Smelter Royalty to the optionee from production thereafter. the Company has a combined minimum exploration obligation of $50,000 in year one, $250,000 in year two and $700,000 in year three On the outer circle the Company paid $228,198, deferred to January 26, 2010 due to access problems to the prospect and future payments have been deferred by one month to $608,972 in January 2011, $852,561 in January 2012, $1,217,944 in January 2013 and $3,166,654 in January 2014. The Corporation has an obligation to pay a 2½% net smelter royalty to the optionee of the outer circle from production thereafter.	9,216	200
Cal Norte	Capital contribution of $1,800,000 to earn 60% equity interest	1,800	1,541

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b) Lease commitments

The Company is committed to future minimum lease payments under capital lease arrangements:

Year ending	March 31, 2010 $	September 30, 2009 $
2009	-	8,530
2010	317,998	34,119
2011	264,444	14,355
2012	98,124	-
2013	16,354	-
	696,920	57,004
Interest	(63,281)	(6,617)
	633,639	**50,387**

12. Related Party Transactions

A company owned by the Chief Executive Officer of the Company, who is also a director of the Company (the “CEO”) billed the Company $3,585 in the period ended March 31, 2010 (2009 - $42,228) for the provision of office space and services used by the Company. Receivable from an officer and director of the Company of $256,351 for the six months ended March 31, 2010 (2009 - $182,813) is the net amount of non-interest-bearing note receivable compensations and advances to the CEO. The note is due on June 30, 2010 and is collateralized by 6,532,000 Common Shares owned by this officer and director.

A company controlled by the current Chief Financial Officer of the Company billed the Company $28,900 for accounting and administration services rendered in the period ended March 31, 2010 (2009 - $20,809). Amounts due to related parties include payables to this officer of $11,553 for such services at March 31, 2010 (2009 - $5,257).

During 2007, the Executive-Vice President-Director of Claims and Administration, who is also a director of the Company, purchased an interest in the Pimenton notes and royalty from a non-related party. The fair value of this note was $974,918 at March 31, 2010 (2009 - $911,235) and interest expense was $24,306 in 2010 (2009 - $24,306). Amounts due to related parties include $268,290 (2009- $219,544) for interest and $518,888 for royalties as at March 31, 2010 (2009 - $268,036).

Amounts due to related parties include $266,508 and $219,544 as at March 31, 2010 and 2009, respectively, for interest due to Executive-Vice President-Director of Exploration who is also a director of the Company who holds one of the Pimenton notes in the fair value amounts of $968,645 and $917,085 as at March 31, 2010 and 2009, respectively, and interest expense was $24,150 for the six months ended March 31, 2010 (2009 – $24,150). In addition, amounts due to related parties include $518,888 and $268,036 as at March 31, 2010 and 2009, respectively, for royalties due to this officer and director who is the owner of a net smelter royalty on the

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Pimenton gold mine. In addition, amounts due to related parties include a cash advance of $5,125 at March 31, 2010 (2009 - $8,909) which was provided to the Company in July 2008.

On October 19, 2009 the Chief Executive Officer, who is also a Director of the Company, entered into an employment agreement. As Chief Executive Officer, he will report to the board of Directors of the Company. Mr Hougthon was granted a two year contract which will be renewed for an additional two years period at the end of each year. Under the term of the contract, Mr. Houghton is to be paid $110,000 per year. However, until the loan with Overseas Private Investment Corporations is repaid, $7,000 per month will be paid in cash and $2,166 per month will be deferred. Mr. Houghton at his option may request that all or a part of his salary be paid in common stock of the Company. Any stock issued would be subject to shareholders and regulatory approval. As of March 31, 2010 amount due to related parties include $13,000.

On October 19, 2009 a Company owned by David R.S. Thomson, Executive-Vice President-Director of Exploration of the Company, Minera Auromin Ltda, entered into a services contract for a period of two years, which will be renewed for an additional two year periods at the end of each year. Under the term of the contract, Minera Auromin Ltda. is to be paid, $300,000 per year. However, until the loan with Overseas Private Investment Corporation (OPIC) has been repaid, $17,000 per month will be paid in cash and the balance of $8,000 per month will be deferred. Minera Auromin Ltda., at it sole option, may request that all or part of the fees to be paid in common stock of the Company. Any stock issued would be subject to shareholders and regulatory approval. Currently, the $300,000 due under the service contract is being deferred. As of March 31, 2010 amount due to related parties include $150,000.

On October 19, 2009 a Company owned by Mario Hernández, Executive-Vice President-Director of Claims and Administration of the Company, Compañía Minera Chañar Blanco S.A., entered into a services contract for a period of two years, which will be renewed for an additional two year period at the end of each year. Under the term of the contract, Compañía Minera Chañar Blanco S.A is to be paid $110,000 per year. However, until the loan that the Overseas Private Investment Corporation (OPIC) has been fully paid, $7,000 per month will be paid in cash and the balance of $2,166 per month will be deferred. Compañía Minera Chañar Blanco S.A, at it sole option, may request that all or part of the fees are paid in common stock of the Company. Any stock issued would be subject to shareholders and regulatory approval. Currently, the $110,000 due under the service contract is being deferred. As of March 31, 2010 amount due to related parties include $50,000.

Amounts due to related parties also include cash advances of $571,668 at March 31, 2010, of which $250,000 is from Conpañía Minera Auromin Ltda. a Company owned by David R.S. Thomson, Executive-Vice President-Director of Exploration of the Company and $321,668 from Minera Chañar Blanco S.A. a Company owned by Mario Hernández, Executive-Vice President-Director of Claims and Administration.

Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to $1,250,000 each or $2,500,000 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totalling $500,000, which was paid during 1997.

In 2001, the Board of Directors and Compensation Committee approved the granting of a 3.2% net smelter royalty interest on Tordillo, a 2.5% net smelter royalty interest on both the inner circle and out circle of claims

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on La Bella and a 3.2% net smelter royalty on Bandurria. The CEO, the Executive-Vice President-Director of Exploration and the Executive Vice President and Director of claims and Land Administration who are also directors of the Company share in these net smelter royalties. To date no royalties have been paid on these properties.

The former Chief Financial Officer (the "CFO") of the Company retired on February 6, 2008 at which time he was owed $207,260. The Company entered into a retirement agreement with the former Chief Financial Officer under which he received 2,000,000 Bonus Shares and was paid $17,648 for the difference between the net sales price of the 2,000,000 Bonus Shares and $100,000. In addition he has been paid $5,000 per month beginning February, 2008 and continued to be paid at the rate of $5,000 per month until February 28, 2009. Beginning in March, 2009 he was paid $12,500 per month until the net balance was paid. Effective June 26, 2009 the former Chief Financial Officer was paid in full.

13. Short-term Borrowings

Short-term borrowings consist of non-interest-bearing notes to a supplier.

14. Comparative Amounts

Certain of the prior period amounts have been reclassified to conform to the current period consolidated financial statement presentation.

15. Subsequent Events

On April 28, 2010 the Company received conditional approval from the Toronto Stock Exchange for the issuance of Unsecured Convertible Debenture totalling $2,302,172 (CA$2,365,272), which are still subject to the Toronto Stock Exchange final approval.

Conpañía Minera Auromin Ltda. a Company owned by David R.S. Thomson, Executive-Vice President-Director of Exploration and Minera Chañar Blanco S.A. a Company owned by Mario Hernández, Executive-Vice President-Director of Claims and Administration, each acquired one Debenture convertible into common shares of the Company (each, an "A Debenture") and one Debenture convertible into common shares (each, a "B Debenture") and were issued common share purchase warrants of the Company in connection with the B Debentures. Hernandez acquired an A Debenture in the aggregate principal amount of $716,105 which is convertible into up to 16,312,866 common shares of the Company. Hernandez also acquired a B Debenture in the aggregate principal amount of $321,667 which is convertible into up to 8,243,644 common shares together with up to 8,243,644 common share purchase warrants. Thomson acquired an A Debenture in the aggregate principal amount of $714,400 which is convertible into up to 16,274,022 common shares. Thomson also acquired a B Debenture in the aggregate principal amount of $250,000 which is convertible into up to 6,406,970 common shares together with up to 6,406,970 common share purchase warrants.

The A Debentures were issued in payment of past due interest and royalties payable to Hernandez and Thomson through to December 31, 2009 by Compania Minera Pimenton, As of March 31, 2010 amount due to related

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parties include $1,430,505. The conversion price of the 5 year A Debentures is CA$0.045 per share convertible into an aggregate of up to 32,586,888 common shares of the Company. The interest rate on the A Debentures is 6% payable annually. No warrants are attached to the A Debentures. The Company has the right to call the A Debentures at any time one year after the date of issue on 30 days notice to the holders.

The B Debentures were issued in payment of cash advances by Hernandez and Thomson to the Company totalling $571,667 which cash advances were used for working capital and to fund capital expenditures on Pimenton. As of March 31, 2010 amount due to related parties include $571,667. The conversion price on the 5 year B Debentures is CA$0.04 per share convertible into an aggregate of up to 14,650,614 common shares of the Company. Interest rate on the Debenture is 6% payable annually. In addition the B Debenture holders were issued 14,650,614 warrants exercisable at CA$0.05 per common share of the Company. The Company has the right to call the B Debentures at any time one year after the date of issue on 30 days notice to the Debenture holders.

$300,000 of Convertible Unsecured Debentures (the “C Debentures”) were issued to five non-insiders of the Company. As of March 31, 2010, long term debts include $300,000. The conversion price of the C Debentures is CA$0.04 per share convertible into up to 7,821,000 shares of common shares of the Company. Interest rate on the C Debentures is 6% payable annually. In addition the Debenture holders were issued 7,821,000 common share purchase warrants exercisable at CA$0.05 per common share of the Company. The Company has the right to call the C Debentures at any time one year after the date of issue on 30 days notice to the Debenture holders.

Directors* and Officers

Paul J. DesLauriers*(1),(2)
Toronto, Canada
Chairman
Executive Vice President and Director
Loewen, Ondaatje, McCutcheon & Company Limited, Toronto, Canada

Stephen W. Houghton*
New York, New York
Chief Executive Officer
Founder of South American Gold and Copper Company Limited

Mario Hernandez A.*
Santiago, Chile
Executive Vice President and Director, Claims and Land Management

William Hill*(1)
Rock wood, ON, Canada
Principal, William Hill Mining Consultants, Ltd.

Juan A Proaño*
Potomac, Maryland
Director of Minera Poderosa S.A.
a gold mining company located in Peru

Frederick D. Seeley*(1),(2)
New York, New York
Chairman, Givens Hall Bank and Trust Limited

David R. S. Thomson*
Santiago, Chile
Executive Vice President and Director of Exploration

John J. Selters*
Santiago, Chile
General manager of Magna Energy Chile Ltda.
Santiago, Chile

Richard J. Lachcik*
Toronto, ON, Canada

Peter W. Hogg
Toronto, ON, Canada
Chief Financial Officer

Fernando Saenz Poch
Concepción, Chile

(1) Member, Audit Committee
(2) Member, Compensation Committee

Corporate Information

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